

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
Inbound Parcel Post (at UPU Rates)

Docket No. CP2018-232

ORDER ACKNOWLEDGING CHANGES IN PRICES FOR INBOUND PARCEL POST
(AT UPU RATES) AND INCORPORATING REVISIONS TO THE MAIL
CLASSIFICATION SCHEDULE

(Issued June 20, 2018)

I. INTRODUCTION

The Postal Service proposes a change in prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) rates), effective July 1, 2018.¹ The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).

II. BACKGROUND

Inbound Parcel Post (at UPU rates). At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Application for Non-Public Treatment, June 8, 2018, at 1-2 (Notice).

Inbound Air Parcel Post to the competitive product list.² In 2009, Inbound Air Parcel Post was bifurcated.³ In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU rates). Order No. 362 at 8-9. The Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU rates), to the competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU rates).⁴

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU rates); and (3) identify the merged product as Inbound Parcel Post (at UPU rates).⁵ An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at UPU rates) were merged into a single product identified as Inbound Parcel Post (at UPU rates). *Id.*

On January 11, 2017, the Commission approved the Postal Service's request to include parcels in the e-commerce delivery category (ECOMPRO parcels) as part of the

² Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100 (Order No. 43).

³ See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. Order No. 2102 at 5. In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU rates). *Id.* at 5-6. The Postal Service states that it filed updated information as directed by Order No. 2102. Notice at 5-6; see Docket Nos. MC2017-58 and CP2017-86, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 30, 2016, at 5 (Order No. 3716).

⁵ Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

Inbound Parcel Post (at UPU rates) product.⁶ ECOMPRO allows other UPU-designated postal operators and the Postal Service to mutually consent to the UPU's e-commerce delivery options. Order No. 3748 at 5. On August 28, 2017, the Commission approved new ECOMPRO prices.⁷ These ECOMPRO prices went into effect on January 1, 2018. Order No. 4070 at 6.

Initial Commission action. On June 8, 2018, the Postal Service filed notice announcing its intention to change prices not of general applicability for Inbound Parcel Post (at UPU rates), effective July 1, 2018. Notice at 1. On June 11, 2018, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁸ Chairman's Information Request No. 1 was issued on June 13, 2018.⁹

III. PROPOSED PRICE CHANGE

The Postal Service filed separately under seal with the Commission the prices and supporting documents it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5. See Notice at 3; *id.* Attachment 3. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. A redacted version of UPU IB Circular 40, dated March 26, 2018, which sets the new prices for Inbound Air and Surface Parcel Post, is included as Attachment 2. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 3. Redacted excerpts of Postal Service data used by the UPU to justify bonus payments are included as Attachment 4. Redacted copies of Governors' Decision Nos. 14-04 and 11-6 are included as Attachments 5 and 6, respectively.

⁶ Docket Nos. MC2017-58 and CP2017-86, Order Approving in Part Classification Changes for Inbound Parcel Post (at UPU Rates), January 11, 2017, at 7 (Order No. 3748).

⁷ See *generally* Docket No. CP2017-267, Order Approving Changes in Prices Not of General Applicability for Certain Inbound Parcel Post (at UPU Rates), August 28, 2017 (Order No. 4070).

⁸ Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), June 11, 2018 (Order No. 4640).

⁹ Chairman's Information Request No. 1, June 13, 2018 (CHIR No. 1).

The Postal Service states that prices were established by the terms of Governors' Decision No. 14-04, issued June 18, 2014. Notice at 2. The Postal Service asserts that Inbound Parcel Post (at UPU rates) should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a)(2).¹⁰

IV. CHAIRMAN'S INFORMATION REQUEST NO. 1

CHIR No. 1 requested clarification of the Mail Classification Schedule (MCS) language for the Inbound Parcel Post (at UPU rates) product. CHIR No. 1 at 1-2. The Commission last revised section 2310.6 of the MCS in January 2017, when the Commission approved the addition of the e-commerce delivery (ECOMPRO) component of Inbound Parcel Post (at UPU rates). Order No. 3748 at 10-11. However, amendments to the Universal Postal Convention that took effect in January 2018 changed the process for setting prices for ECOMPRO parcels. CHIR No. 1 at 1-2. Under the amended Universal Postal Convention, the Postal Service now sets prices for inbound ECOMPRO parcels unilaterally and notifies the UPU of these prices. *Id.* CHIR No. 1 proposed revisions to the MCS to reflect the change in process.

On June 18, 2018, the Postal Service responded to CHIR No. 1.¹¹ The Postal Service confirmed that the proposed MCS revisions accurately reflected the changes to the ECOMPRO price setting process. Response to CHIR No. 1 at 2.

¹⁰ See *id.* at 6. The Postal Service notes that this filing does not concern the rates for ECOMPRO parcels. *Id.* at 2 n.3.

¹¹ Response of the United States Postal Service to Chairman's Information Request No. 1, June 18, 2018 (Response to CHIR No. 1).

V. COMMENTS

The Public Representative filed comments on June 19, 2018.¹² No other comments were received. Based on her review, including the financial model, the Public Representative concludes that the prices for the Inbound Parcel Post (at UPU rates) product satisfy the requirements of 39 U.S.C. § 3633(a). PR Comments at 2. She also supports clarification of the MCS language for the Inbound Parcel Post product as presented in CHIR No. 1. *Id.*

VI. COMMISSION ANALYSIS

A. Price Change

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative's comments. The Commission finds that the prices presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the planned inward land rates for Inbound Air Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at UPU rates) should satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

¹² Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU Rates), June 19, 2018 (PR Comments). The Public Representative also filed a motion for late acceptance of her comments. Motion of Public Representative for Late Acceptance of Comments, June 19, 2018 (Motion). The Motion is granted.

Additionally, as outlined in Order No. 2102, in future filings regarding price changes for Inbound Parcel Post (at UPU rates), the Postal Service must provide a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

B. Mail Classification Schedule Revisions

In January 2017, the Commission revised section 2310.6 of the MCS when it approved the addition of the ECOMPRO parcels component of Inbound Parcel Post (at UPU rates). Order No. 3748 at 10-11. However, amendments to the Universal Postal Convention that took effect in January 2018 changed the process for setting prices for ECOMPRO parcels. *Id.* In its Response to CHIR No. 1, the Postal Service confirmed that the proposed MCS revisions accurately reflected the changes to the ECOMPRO price setting process. Response to CHIR No. 1 at 2. Accordingly, these revisions will be incorporated into the MCS.

VII. ORDERING PARAGRAPHS

It is ordered:

1. The Commission acknowledges the planned price changes for Inbound Parcel Post (at UPU rates).
2. Consistent with Order No. 2102, the Postal Service is directed to provide, in future filings concerning prices for Inbound Parcel Post (at UPU rates), a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

3. The Mail Classification Schedule will be modified as discussed in the body of this Order and as shown below the signature line of this Order.

By the Commission.

Ruth Ann Abrams
Acting Secretary

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products

2300 International Products

2310 Inbound Parcel Post (at UPU rates)

2310.6 Prices

Foreign postal operators pay the Postal Service inward land rates for the delivery of inbound parcels~~mail~~. The Universal Postal Union (UPU) Postal Operations Council (POC) sets the amount paid for incoming ~~air~~ parcel flows tendered by postal operators with which there is no contractual relationship governing the applicable price except when such rates are otherwise fixed by the Postal Service and the Postal Service notifies the UPU of these rates in accordance with the relevant provisions for parcel post rates in the Universal Postal Convention and associated Regulations ~~POC upon notification by the Postal Service~~. Payment by the foreign postal operators is made in accordance with the Universal Postal Convention ~~Part III, Chapter 2~~ and associated ~~UPU Parcel Post Regulations, which are available. This information is available in the Parcel Post Manual~~ at www.upu.int.
